



IOWA GENERAL ASSEMBLY
LEGISLATIVE SERVICES AGENCY

DENNIS C. PROUTY, DIRECTOR
 IOWA STATE CAPITOL
 DES MOINES, IA 50319
 515.281.3566
 Fax: 515.281.8027
dennis.prouty@legis.state.ia.us

DIVISIONS

LEGAL SERVICES
 RICHARD L. JOHNSON

•

FISCAL SERVICES
 HOLLY M. LYONS

•

COMPUTER SERVICES
 GLEN P. DICKINSON

•

ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

FISCAL SERVICES

Jess R. Benson

Legislative Analyst
 515.281.4611
 Fax: 515.281.6625
jess.benson@legis.state.ia.us

TO: Members of the Fiscal Committee

FROM: Jess Benson

DATE: January 2, 2008

RE: Update on the State Children's Health Insurance Program

This memo provides highlights of the federal debate regarding the reauthorization of the State Children's Health Insurance Program (SCHIP), including the Congressional compromise, the President's plan, the continuing resolutions, and the impact on Iowa.

Iowa's Current Coverage Guidelines

Iowa covers children up to 200% of the Federal Poverty Level (FPL), plus a 20% disregard of earned income to help cover expenses such as taxes and transportation. This means a family of four (two parents, two children) could earn up to \$51,625 and still be eligible to receive SCHIP. There are 16 states that use some type of income disregard or deduction. By using income deductions and disregards, states can avoid caps on federal income and expand their programs. It is possible that the reauthorization may rescind the flexibility states have been given by the Center for Medicare and Medicaid Services (CMS) to apply deductions and disregards to ensure all states adhere to federal income requirements.

The President's Budget Proposal

The President's FY 2008 budget proposal recommended the addition of \$5.0 billion to the current \$25.0 billion for the program over the next five years. The President's proposal limited the enhanced SCHIP match rate to children and pregnant women at or below 200% of the Federal Poverty Level (FPL). The proposal would also decrease the time states have to spend their allotments from three years to one year. Although there were no specifics provided regarding distribution of funds, Iowa would probably be less impacted than other states that have expanded programs beyond 200% of FPL.

According to the Congressional Budget Office, maintaining current State Programs across the country would require an additional \$4.6 billion over the next five years and \$2.0 billion in 2012, in addition to the \$5.0 billion proposed by the President.

The focus of the debate between the White House and Congress has been on states that have proposed or are currently covering children beyond 300% of FPL. House Resolution 976 provides an exemption to states that, on the date of enactment, have an approved state plan amendment or waiver, or have enacted a state law to submit a state plan amendment to cover targeted low income children above 300% of FPL. The President is concerned that providing coverage to children above 300% of FPL will allow children that are already eligible or receiving private insurance to drop it in favor of the government program. Iowa will not be impacted by this because they will not meet any of the exemption requirements and only cover children up to 200% of FPL.

Congressional Compromise

On September 25, 2007, Congress approved H.R. 976, the Children's Health Insurance Program Reauthorization Act of 2007. The Act increases funding by an additional \$36.4 billion dollars over the next five years and has mechanisms to redistribute the funds if necessary. Although it is unclear whether Iowa would be able to maintain the income disregard under H.R. 976, the Act would allow states to increase income limits to 300% of FPL and still receive the enhanced federal match rate that provides three federal dollars for every State dollar spent. Under H.R. 976, Iowa would receive \$76.1 million in FFY 2008, an increase of \$43.4 million compared to FFY 2007. The Act was vetoed October 3, 2007. On October 18, 2007, the House attempted to override the President's veto, but failed.

Continuing Resolutions

With the veto of H.R. 976, Congress passed multiple continuing resolutions to temporarily finance the program until a compromise is reached with the White House. The resolutions continue the program under the existing structure. Under the current structure, Iowa is one of 12 states that will face a budget shortfall in SFY 2008. Iowa has asked for and received additional funds from CMS to cover these shortfalls to meet all program needs.

With no compromise reached before adjourning for the year, Congress passed S. 2499, the "Medicare, Medicaid, and SCHIP Extension Act of 2007", a long term extension that will last until March 31, 2009. The bill fully funds the current program, providing additional funding for states facing funding shortfalls. The President signed the bill into law on December 29, 2007.

For additional information on federal action on Medicaid or the SCHIP, please contact Jess Benson at (515) 281-4611.